DEVELOPMENT OF AN INSTITUTIONAL FRAMEWORK TO STIMULATE VENTURE CAPITAL INVESTMENT IN NEW TECHNOLOGY-BASED COMPANIES-INOVAR PROJECT

(TC-0011041-BR)

EXECUTIVE SUMMARY

Executing Agency:	*Financiadora de Estudos e Projetos* (FINEP).		
Beneficiaries:	Direct beneficiaries of this project would be the: 1) the Technology-Based Companies, both start-ups and small and medium emerging companies; 2) research groups developing new products or services in universities and research centers that will become eligible for grants and other forms of structured assistance from FINEP and the partners; 3) venture capital fund managers and angel investors who will benefit from the fund-raising/investment process made easier and more agile for them; and 4) 50 institutional and other qualified investors who, by participating in the different activities of the project, will learn how to better evaluate and monitor their investments.		
Financing Terms & Conditions:	Modality:	Non-reimbursable	Facility I
	MIF	USD 1,222,000	
	Local Counterpart/FINEP	USD 3,772,600	
	Total	USD 4,894,600	
Objectives	The overall objective of the Project is to stimulate the development of new technology-based companies (NTBC) through the establishment of a flourishing venture capital market and to enhance private investment in technology businesses. Specifically, this Project aims to assemble a comprehensive set of market mechanisms for venture capital investment in Brazil, and increase the supply of qualified fund managers. To achieve the proposed objectives, the project would have the following three components: i) development of instruments for information dissemination and enhanced quality deal flows; ii) development of fund managerial capacity in the region and institutional strengthening of a newly formed Technology Investment Facility; and iii) training and certification of INOVAR Agents.		
Description	The INOVAR initiative is a comprehensive approach, that aims to become the enabling framework that may effectively accelerate venture capital investments in small funds. INOVAR will look at all cross-sectoral issues and develop an institutional infrastructure to encourage venture capital activities and attract private pension fund investments over the longer term. This institutional infrastructure will have two distinctive and		

interrelated parts: a) the Technology Investment Facility (TIF) and b) a supportive structure for this TIF. The TIF will be the result of a future partnership of MIF -through it's Investment Unit- with local institutions for the creation of future technology funds in Brazil and the supportive structure for the TIF is what this project aims to develop and strengthen through the components proposed above.

The TIF will be a syndicate of potential public and private investors (MIF, SEBRAE, FINEP, and PETROS – a private pension fund). The objectives of the TIF will be to: i) stimulate the creation of emerging company funds, ii) attract private sector investors and fund managers to the VC industry, iii) continue improving the quality of investments in *fundos emergentes*, and iv) disseminate best practices to private and public Brazilian institutional investors regarding structuring and evaluation of venture capital investment funds. It is important to note that PETROS would be the first private pension fund to enter the coalition, and that it has already signed a Memorandum of Understanding to work with FINEP in this project, a groundbreaking step that may pull other private pension funds in the same direction

Implementation Schedule:	Execution Period:	36 months
	Disbursement Period:	42 months

Special Conditions: Prior to the first disbursement, the executing agency will submit the following to the Bank's satisfaction: 1) evidence that the Coordinating Unit is established and operating; 2) a final agreed Plan of Execution for the project with activities, timetables and targets to be met; and 3) the terms of reference to be used for the consulting services.

Exceptions to Bank Policy: None

Environmental/ Social review: The project was analyzed by the Committee on Environment and Social Impact (CESI) at its meeting on November 17, 2000.